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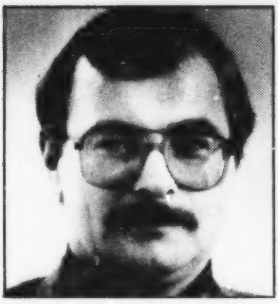


MINISTER'S MESSAGE

With ever increasing challenges to economic development in the Northwest Territories and the many opportunities and constraints facing the regions, there is a pressing need for the Department of Economic Development to take a leadership role in creating a more dynamic environment to meet the economic needs of the communities.

Government's role is to provide a climate within which people can prosper, using their own resources and initiative to solve problems. To create that climate, we need a plan which will make the best possible use of our limited resources and provide a basis for the difficult decisions which lie ahead. We are optimistic that by encouraging the underlying themes of participation, development, and self-reliance in developing an economic strategy we can at least begin to prepare for these economic and social challenges.

The GNWT is only one participant in building our economy. This new planning initiative will make every attempt to incorporate unlimited participation and consultation in the development of an economic strategy. We recognize the importance of having meaningful participation from residents of the NWT in the decision making process. Individuals, businesses, communities, and aboriginal organizations must work together with us in making those decisions about how we develop.

This profile merely provides an overview of the opportunities and constraints to economic development in the Keewatin region. The next step is to undertake a process of consultation in an attempt to develop a strategy to overcome some of the major constraints to development, to develop identified opportunities, and to increase the level of participation in the economy by native people of the region. Over the next five years our economic strategies need to concentrate on expanding our tourism and cultural industries, small scale renewable resource development, import substitution programs, and support programs for the small business sector. I am enthusiastic about the challenge of working with the NWT business community in developing new economic opportunities for Northerners.

Honourable Gordon Wray
Minister

KEEWATIN REGION

ECONOMIC FACTS

FEBRUARY, 1989

Department of Economic Development & Tourism
Government of the Northwest Territories

BACKGROUND

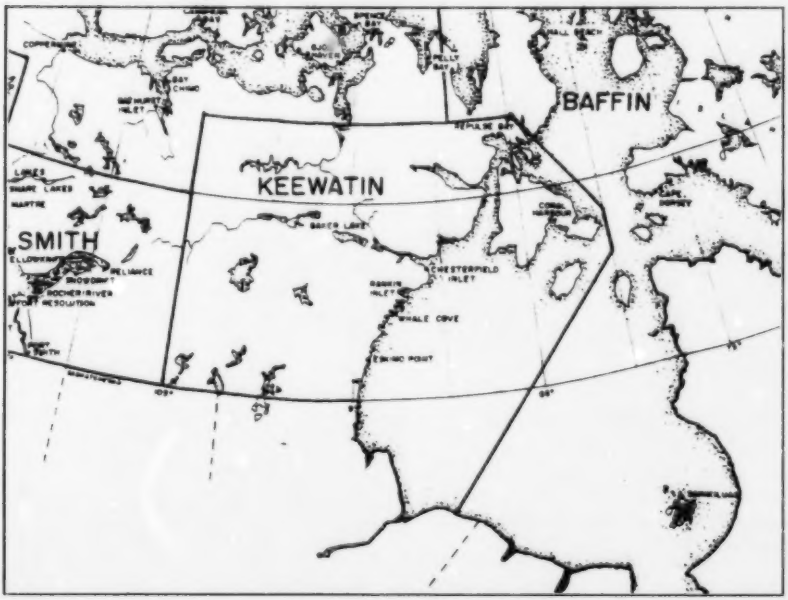
The Keewatin Region is comprised of seven communities housing just over 5000 people. Six of these communities are coastal and one is an inland community. The former are Eskimo Point which is the most southerly, Whale Cove, Rankin Inlet, Chesterfield Inlet, Repulse Bay and Coral Harbour. The latter is Baker Lake. Coral Harbour is an offshore community located on the south coast of Southampton Island. Eighty-five percent of the residents of the region are Inuit.

The primary industry of the region and the largest employer is government. The other major sectors of the Keewatin economy are construction, tourism, renewable resources and arts and crafts. A growing industry with significant potential is mining.

The Keewatin Region has one of the most aggressive business communities in the Northwest Territories. It prefers to set the direction and pace of development rather than have the government lead the way. The Keewatin Chamber of Commerce and Travel Keewatin, the tourism zone association, are very active in seeking support for development.

The majority of construction work is government projects. However, the private sector has undertaken and is continuing to seek opportunities to undertake large scale development projects such as apartment and office buildings.

Tourism is the fastest growing industry with over 2,500 visitors last year. Both Via Rail and Fiesta Wayfarer are major wholesalers selling Keewatin packages.



Commercial fishing is the primary renewable resource industry. However, the country food industry is being slowly developed . It is mainly for domestic consumption at the moment.

The arts and crafts industry has been suffering for the past few years but efforts are underway to improve both product quality and markets.

The mining industry is for the most part at the exploratory stage; searching for precious metals and minerals.

The Keewatin Chamber of Commerce, with support from the Department of Economic Development and Tourism, sponsored an economic conference in March, 1988. The purpose was to determine the Keewatin Region's economic direction for the 1990's.

OPPORTUNITIES

There are a significant number of opportunities for economic growth within the Keewatin Region. These opportunities prevail in all sectors of the economy.

Renewable Resources

The commercial harvest of caribou, musk ox and sea mammals provide a basis for inter-settlement trade. In addition, there are opportunities for value added processing for both import substitution and export. Only a small amount of the 1988 commercial caribou quota was harvested.

The present harvest of arctic char is well below the available quota and for the most part is sold to the Freshwater Fish Marketing Corporation either fresh or frozen. There is a large quantity of trout and white-fish which is not taken.

Value added processing of fish would result in the same benefits as could be realized from meats. The processing of other species in addition to char increases the economic viability of the fishing industry.

The development of the renewable resource sector will provide opportunities for employment and business creation. Vertical integration would create internal markets for related business and more efficient use of the primary harvest.

Arts and Crafts

Optimistically, the Keewatin arts and crafts industry annually earns $1.9 million. It has a potential to earn $5.0 million. To accomplish this growth, the industry requires a stable and controlled environment, with the ability to develop and transfer skills, create new small business opportunities, and develop marketable new products.

The future of the industry is in the export of high volume low priced crafts. The art provides an opportunity for promotion and a source of designs. Keewatin art is recognized as high quality and will for the most part find its own markets. However, there is a need to develop young artists and nurture them until they reach their potential.

Tourism

Non-consumptive tourism is a rapidly growing source of export revenue for the Keewatin Region. There are two major wholesalers and a number of smaller wholesalers selling the Keewatin experience. Tourists from other parts of Canada and around the world are prepared to pay well for unique historical, cultural and naturalist experiences. There are a number of opportunities for package tour development throughout the Keewatin. The income from these local packages remains within the community.

Construction

The construction industry continues to provide opportunities for the small to medium size companies in the Keewatin. Some contributing factors to growth are the devolution of federal programs which are not or were not administered in whole or in part within the region; on-going capital programs of government; and a growing private sector economy. The result has been an increased demand for housing to accommodate a growing population and for office and industrial type accommodation. A continuing growth in tourism will create a demand for public infrastructure and facilities to meet market expectations.

Mining

The report on business opportunities related to mining and exploration prepared by Stevenson Kellogg Ernst and Whinney forecasts a potential increase of $2 million for Keewatin suppliers. It remains for suppliers to demonstrate the initiative.

Small Business

The traditional consumer services available throughout most of the Western Arctic are lacking in the Keewatin. Owner operated businesses with modest expectations could realize reasonable success in areas such as personal grooming, small appliance and electronics repair, insurance, legal and travel services, etc.

CONSTRAINTS

There are a number of constraints to development in the Keewatin. These include socio-economic issues which are addressed further along in this summary. However, some can be overcome more quickly than others if there is the determination.

Equity

There is no equity base with which to lever debt financing, government contribution programs or venture capital. This is particularly true for larger proposals. In some cases, sweat equity is substituted but this usually leaves a new business short of working capital.

Consumer savings, normally considered a source of equity, are not available in sufficient quantity. The concept of saving for a future use is foreign and rarely practised; assuming there is sufficient net disposable income to save.

Investment funds

There are three major segments to the market for venture capital funds. These being the public equity market, the professional venture capital market and the informal venture capital market. Notwithstanding their differences, all three have commonalty with respect to investment in small to medium-sized businesses in the north. The risks are high and the return on investment is not adequate.

The informal venture capital market has some potential for operating in the Keewatin. However, a major constraint is bridge financing. Venture capitalists for the most part are not interested in start-ups. These are fraught with problems which increase the risk; require a great deal of help, have a higher chance of failure, take up a lot of time and have limited management and marketing experience. Venture capitalists want a reasonable track record before investing. Therefore, an intermediate investor is required.

Debt Financing

Debt financing is difficult to arrange because of a lack of equity, inadequate security in the event of default and again, inadequate management and marketing

experience. Even the government loan programs are becoming more stringent in their lending practices.

Market/Costs

The market for goods and services is relatively small and operating costs are high. Businesses with high fixed costs and low revenues, generally start-ups, have a difficult time surviving without adequate working capital.

Professional Services

There is a lack of support services available to the business community of the Keewatin Region. Successful businesses need access to professional services; some on a regular basis and some as required. These services include accounting, legal, insurance and financial to name a few. Economic Development Officers can identify problems and suggest solutions but for the most part are generalists who need to be able to access professionals.

DEVELOPMENTS

Two significant developments are the construction of the Forward Operating Location at Rankin Inlet and the possibility of Urangesellschaft developing a uranium mine west of Baker Lake. The creation of employment and business opportunities during the construction phases are only short term benefits. Further, the future of the mine is uncertain.

Some long term benefits will be realized from the Forward Operating Location but in terms of employment and business opportunities, these will be minimal. The most significant benefit will be a runway capable of taking jet traffic.

If the mine proceeds, the long term benefits are likely to be dictated by the Government's ability to negotiate a suitable socio-economic agreement with Urangesellschaft.

There has been a resurgence of interest by exploration and mining companies in locating and producing precious metals throughout the Keewatin. As noted above in the opportunities section, there is significant growth potential for the business community.

There is significant growth in domestic and commercial accommodation planned for Rankin Inlet for the next year. A conservative estimate is $8 million.

ATTITUDES

In general, the attitude of the business community is one of optimism, enthusiasm and aggressiveness. This is reflected in an emerging philosophy that the government should not be providing advice and direction to business. However, government should be supportive of businesses' initiatives which are economically viable. Further, the resident business base is expanding within the region.

While the trend is changing, there are many who still hold that the government should take a lead role in developing economic opportunities. This attitude results in foregone opportunities and business failures. Businesses which rely to a large extent on government for management, marketing and financing are setting themselves up for failure, if they even get started.

The aggressiveness of the three development corporations (Arviat, Qamamittuaq and Ilagiiktut) is only stifled by their difficulties in raising adequate capital to support their initiatives.

There are still some who want to realize all the returns from business ventures. However, if management expertise and investment are to be attracted to the Keewatin in sufficient quantity, an attitudinal change is essential. The business community and the government must focus on net benefits which can accrue to the region.

Fifty-one per cent or even greater resident control may not be appropriate for some ventures if such a stipulation is a deterrent to attracting the necessary resources for success.

SOCIO-ECONOMIC CIRCUMSTANCES

One of the greatest deterrents to economic development is a population with inadequate education and skill levels. In the Keewatin, between 60 to 70 per cent of the native population have less than a grade 9 education. Further, many test 1 to 4 levels below the school year they have completed.

Many aspiring entrepreneurs are ill suited to their aspirations. They lack the necessary education and skill levels for success. This of course leads to an inordinate dependence on government. Those that do succeed do so through determination, hard work and learning the skills necessary for success. Or, some who succeed hire the skills they require. This latter option is not usually available to new businesses because of costs.

Another problem facing the entrepreneur is a poorly educated labour force. There is direct correlation between labour force participation and educational levels. The lower the education level the greater the probability of being unemployed. The result is imported skilled labour.

In 1986, there was a 21 per cent unemployment rate in the Keewatin. This rate rises to a substantially higher figure in considering the region's labour force participation rate of 58 per cent. Effectively, there remains a 50 per cent unemployment rate in the Keewatin. According to 1986 figures, roughly 2 out of every 3 people between the ages of 15 and 64 are not working and have less than a grade 9 education. More than a third of the labour force has less than a grade 9 education. Many lack sufficient education to enter the labour force, or, if they do enter, to complete skill training programs.

Businesses which must import skilled labour face higher operating costs. These include higher than usual wages, relocation expenses, housing, other benefit costs and usually high staff turnover. The importation of skilled labour which does not become resident in the N.W.T. produces a leakage of net disposable income and income taxes from the region and the Territories.

SUMMARY AND CONCLUSION

This profile provides a general discussion and statistical overview of the economy of the Keewatin Region. It's aim is to address the opportunities and constraints, major developments currently underway or proposed, and the socio-economic circumstances impacting on business development and growth.

There are many opportunities for economic growth in the region; but, there are also several constraints. The major constraint to development and growth is an inadequate equity base and insufficient investment funds to lever debt financing; another constraint is the education and skill levels within the region. The general attitude towards the economy is positive.

ECONOMIC FACTS

KEEWATIN REGION

Northwest Territories

THE DEPARTMENT OF ECONOMIC DEVELOPMENT & TOURISM

The Department of Economic Development and Tourism has staff living in, or visiting, all NWT communities. They are there to assist with business development or investment, no matter how small the proposal. In most cases, if you plan to start, modernize or expand a business, you should contact your local office of the Department for advice or assistance.

Keewatin Region

Head Office, Rankin Inlet,
Northwest Territories
X0E 0G0
Phone: 819-645-2884
Telex: 06-217757

Superintendent: Bill Graham

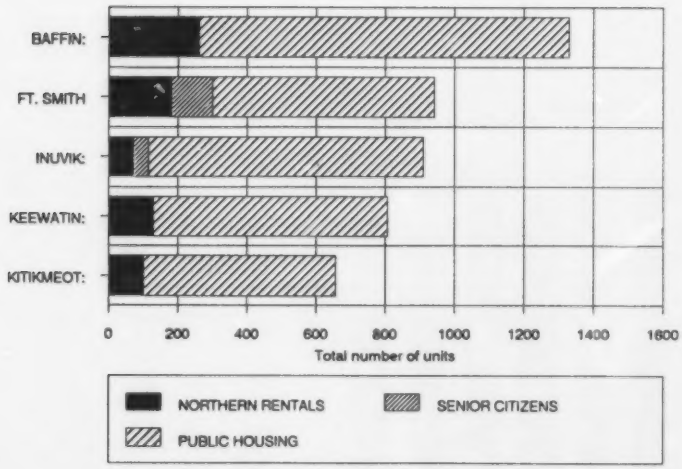
Baker Lake: 793-2992
Eskimo Point: 857-2941
Chesterfield Inlet: 898-9947
Coral Harbour: 925-9710

Social Housing Inventory: A Regional Comparison

REGION	NORTHERN RENTALS	SENIOR CITIZ.	PUBLIC HOUSING	TOTAL INVENTORY
BAFFIN:	262	0	1067	1329
FORT SMITH:	183	118	642	943
INUVIK:	73	41	795	909
KEEWATIN:	129	0	678	807
KITIKMEOT:	103	0	554	657

Source: NWT Housing Corporation, 1988

Social Housing Inventory - 1988

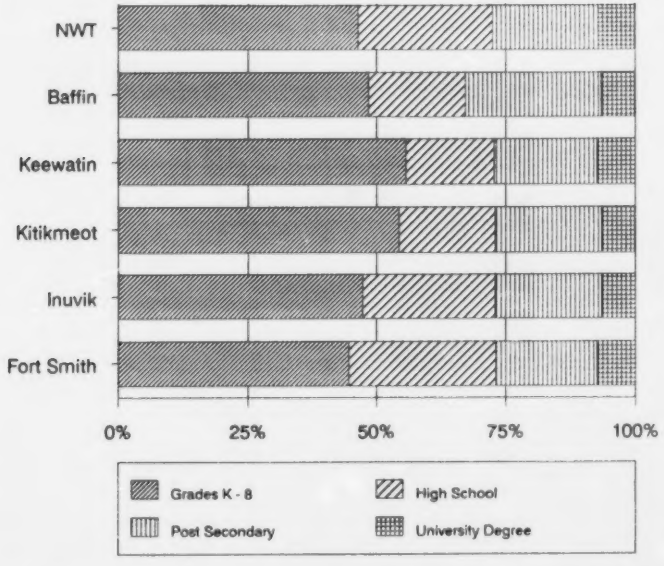


EDUCATION

Education completed - A regional comparison

	Total	Gr.8	Gr.12	Post Sec.	Univ.
Baffin	4,706	2,248	869	1,210	308
Keewatin	2,380	1,290	394	462	168
Kitikmeot	1,871	892	304	336	107
Inuvik	4,939	3,709	2,005	1,609	504
Fort Smith	14,909	12,570	8,028	5,530	2,053
NWT	28,805	20,707	11,600	9,147	3,139

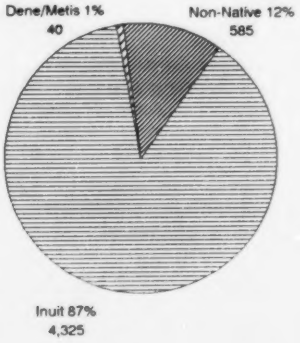
Source: Labour Force Survey, 1984



DEMOGRAPHICS

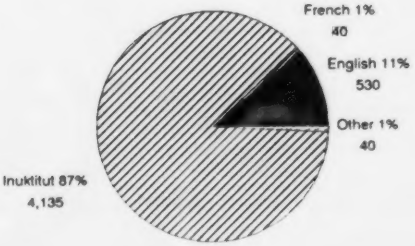
Population Mix

Inuit	4,325
Non-native	585
Dene/Metis	40



Languages Spoken

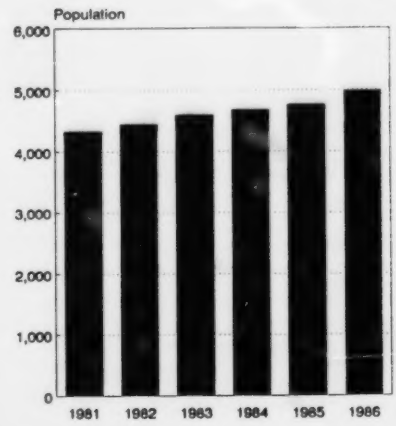
English	530
French	40
Inuktitut	4,135
Other	40



Population Growth

1981	4,323
1982	4,440
1983	4,592
1984	4,677
1985	4,770
1986	4,986

Source: 1986 Census

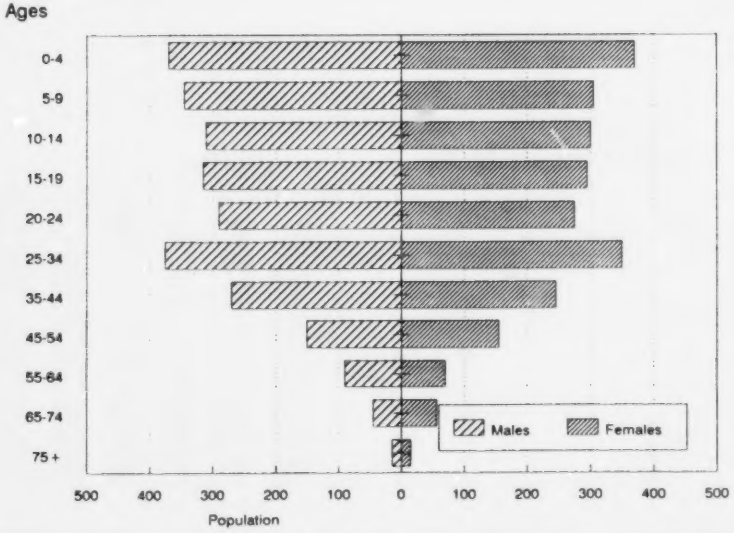


DEMOGRAPHICS

Sex and Age

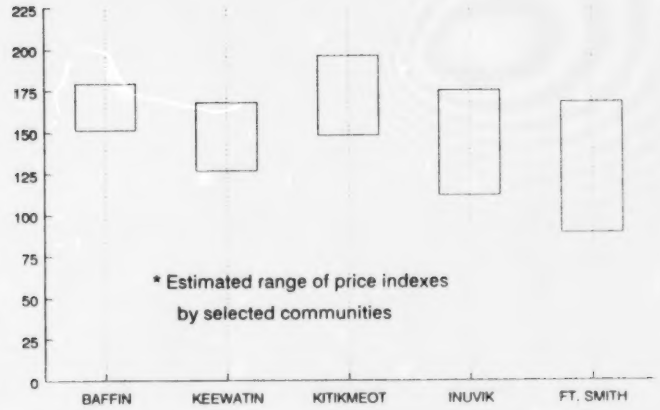
Age Range	Males	Females
0-4	370	370
5-9	345	305
10-14	310	300
15-19	315	295
20-24	290	275
25-34	375	350
35-44	270	245
45-54	150	155
55-64	90	70
65-74	45	55
75 +	15	15

Source: 1986 Census



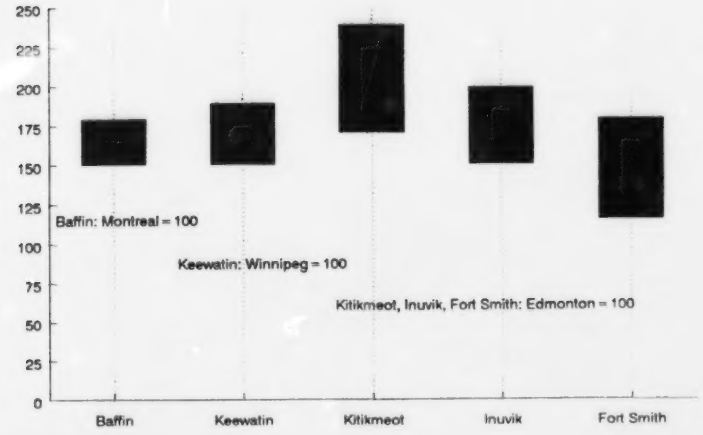
FOOD PRICE INDEXES

1987 (Yellowknife = 100)



Average Living Cost Differentials

Price Index Ranges: base city = 100



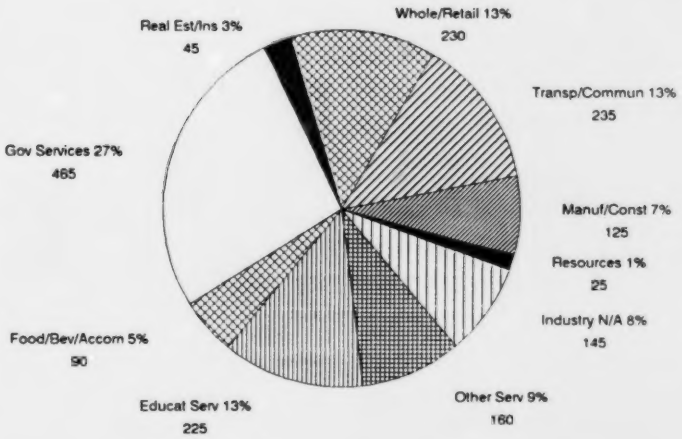
Source: Bureau of Statistics Sept. 1988

ECONOMY

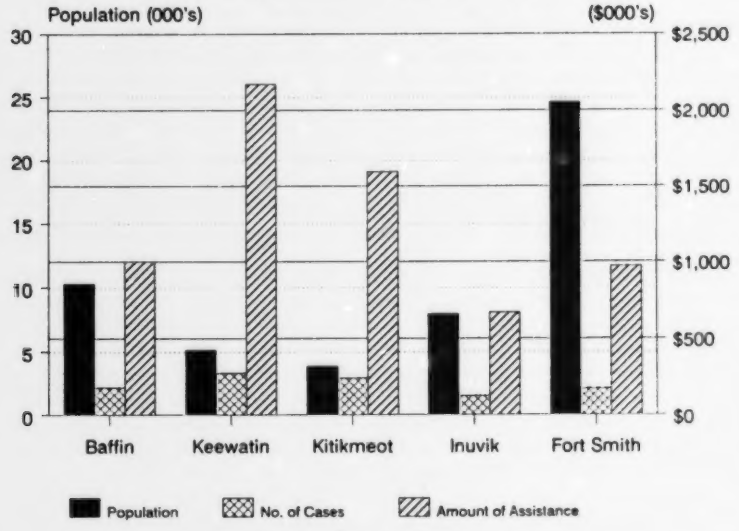
	Popul. over 15	Labour Force	Particip. Rate(%)	Em-ployed	Unem-ployed	Unemp. Rate
NWT	34,930	24,370	70	20,950	3,420	14
Baffin	6,120	3,865	63	3,015	845	22
Keewatin	2,975	1,725	58	1,365	360	21
Kitikmeot	2,340	1,225	52	955	265	22
Inuvik	5,755	3,920	68	3,335	580	15
Ft Smith	17,750	13,635	77	12,275	1,365	10

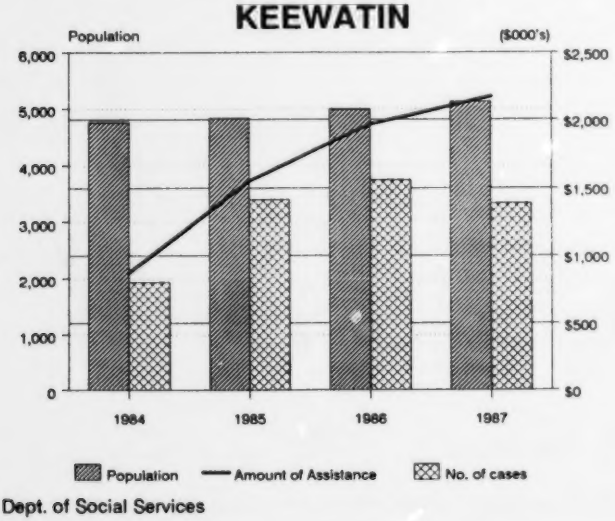
Source: 1986 Census

KEEWATIN LABOR FORCE
All Industries



Social Assistance Payments - A Regional Comparison



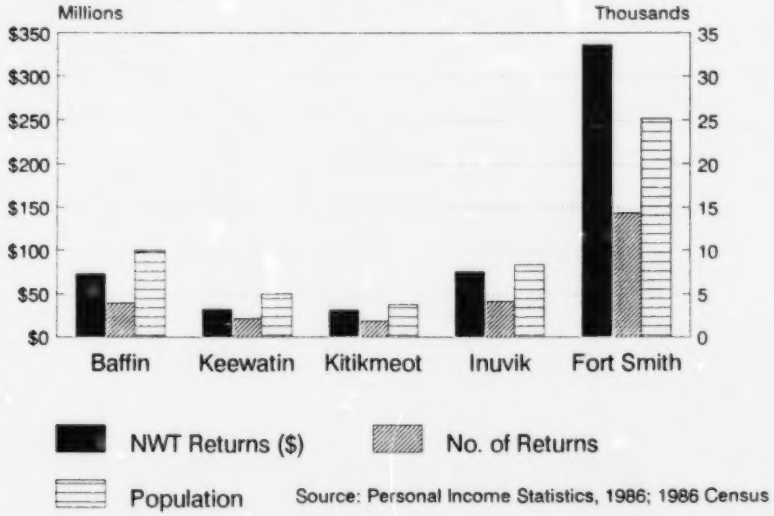


Source: Dept. of Social Services

PERSONAL INCOME TAX RETURNS AND INCOME, by Source, 1986

	All Returns (No.)	All Returns ($'000)	With Employment Income (No.)	With Employment Income ($'000)	With Pension Income (No.)	With Pension Income ($'000)
NWT	26,280	546,850	23,630	483,668	1,640	8,875
BAFFIN	3,930	73,021	3,370	65,868	260	873
KEEWATIN	2,130	31,747	1,880	28,452	140	557
KITIKMEOT	1,780	30,623	1,530	27,960	150	571
INUVIK	4,140	75,299	3,740	66,382	280	1,455
FT SMITH	14,300	336,160	13,120	295,006	810	5,419

	With Investment Income (No.)	With Investment Income ($'000)	With Self-Employed. Income (No.)	With Self-Employed. Income ($'000)	With Other Income (No.)	With Other Income ($'000)
NWT	7,070	16,251	2,180	6,979	13,710	31,077
BAFFIN	730	1,395	180	329	2,190	4,555
KEEWATIN	260	309	110	129	1,170	2,301
KITIKMEOT	270	486	80	305	1,000	1,911
INUVIK	870	1,707	310	479	2,160	5,276
FT SMITH	4,940	12,352	1,510	6,349	7,200	17,035



Source: Personal Income Statistics, 1986; 1986 Census

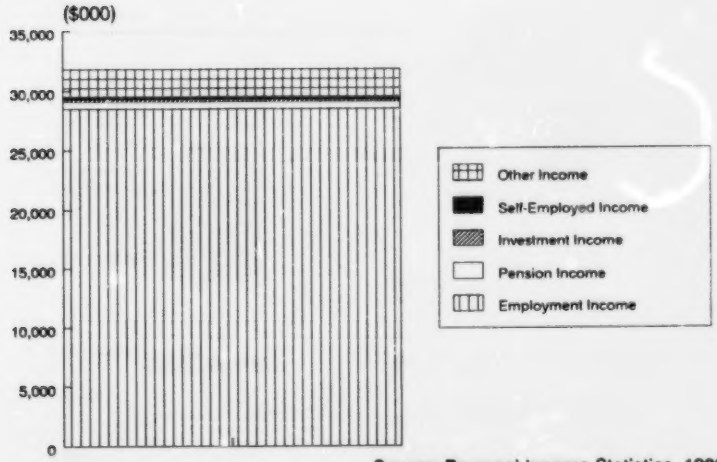
PERSONAL INCOME TAX
Number of returns filed by region, 1986

	All Returns	over $2,000	over $4,000	over $6,000	over $10,000
NWT	26,280	21,620	19,340	17,600	16,110
BAFFIN	3,930	2,870	2,490	2,190	1,970
KEEWATIN	2,130	1,550	1,280	1,120	990
KITIKMEOT	1,780	1,220	1,010	900	820
INUVIK	4,140	3,420	2,970	2,630	2,350
FORT SMITH	14,300	12,550	11,580	10,740	9,940

	over $15,000	over $20,000	over $30,000	over $40,000
NWT	13,460	11,320	7,550	4,440
BAFFIN	1,640	1,400	1,010	670
KEEWATIN	780	650	400	200
KITIKMEOT	690	580	380	260
INUVIK	1,860	1,500	890	540
FORT SMITH	8,440	7,130	4,810	2,770

KEEWATIN

Personal Incomes - 1986



Source: Personal Income Statistics, 1986

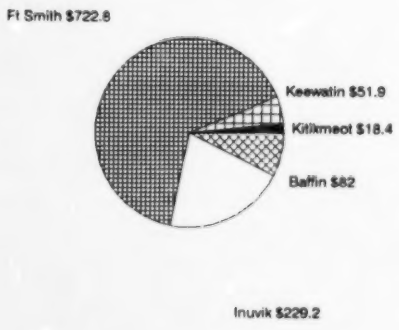
ECONOMY

TYPE OF GOODS IMPORTED

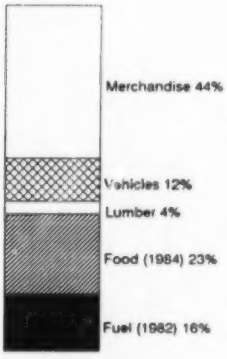
($000)

	KITIK.	KEEWAT.	SMITH	INUVIK	BAFFIN	TOTAL
Fuel(1982)	8,795	8,550	29,862	25,831	17,586	90,624
Food(1984)	2,932	12,048	66,576	32,121	17,384	131,061
Lumber	2,856	1,962	29,738	15,659	17,181	67,396
Vehicles & Machinery	2,896	6,403	393,138	126,049	18,936	547,422
General Merchandise	907	22,932	203,455	29,537	10,829	267,659
TOTAL	18,386	51,895	722,769	229,197	81,916	1,104,162

Source: Don Ference & Assoc. Import Substitution Report, 1987.



Value of Imports NWT ($000's)



Keewatin

ECONOMY

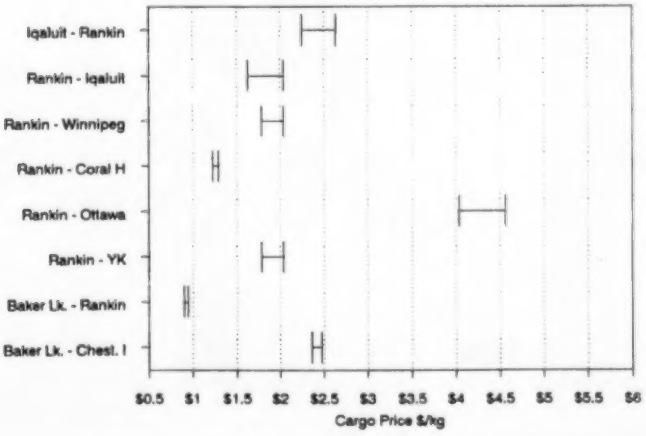
Air Cargo Rates

($ per Kg.)

Departure/Destination	Low	High
Iqaluit - Rankin	2.25	2.63
Rankin - Winnipeg	1.79	2.04
Rankin - Coral Harbour	1.23	1.29
Rankin - Ottawa	4.04	4.57
Rankin - Yellowknife	1.79	2.04
Baker Lake - Rankin	.90	.95
Baker Lake - Chester. Inlet	2.36	2.47

Note: Cargo prices vary and depend on the airline being used. Minimum charges apply and vary between $22 to $30. Low indicates 45 kg or less, High indicates greater than 45 kg and less than 200 kg.

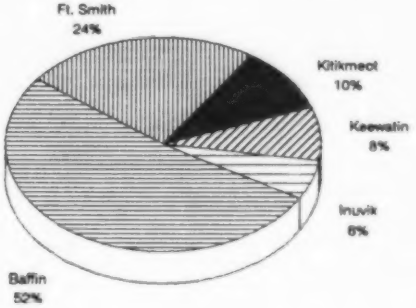
Source: Calm Air; NWT Air; First Air (Telephone Interviews February, 1989)



Arts and Crafts

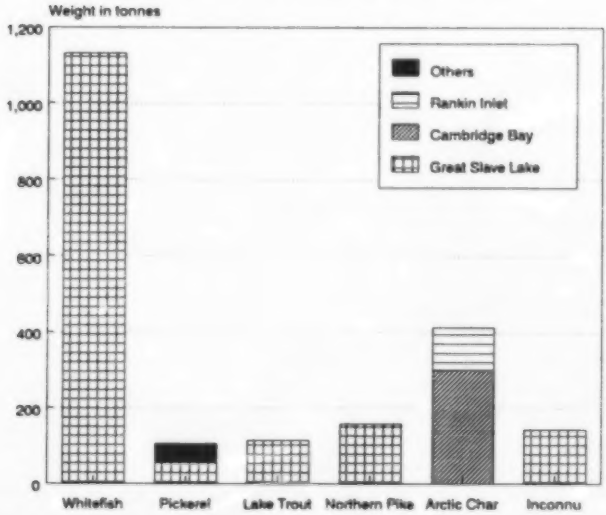
Regional Sales - 1987

NWT: $25 Million



Source: Department of Economic Development & Tourism

Fish Harvesting in the NWT



Source: Freshwater Fish Marketing Corp. 1986

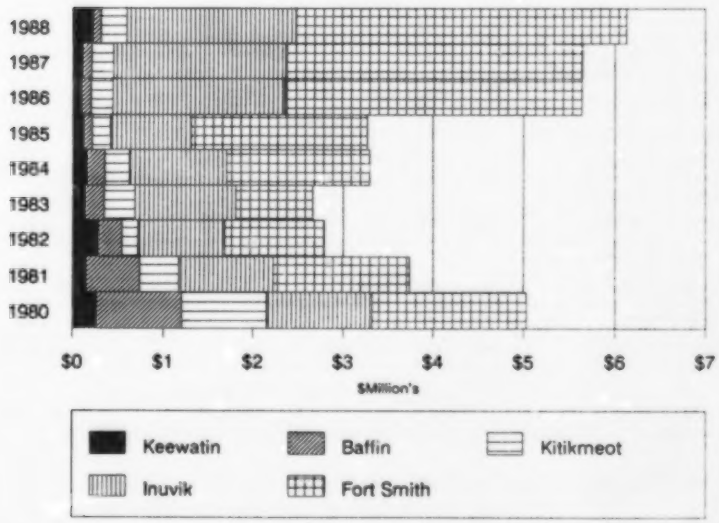
RESOURCES

FUR HARVESTING FOR THE TERRITORIES ($000's)

	1988	1987	1986	1985	1984	1983	1982
Keewatin	223	106	96	117	156	141	283
Baffin	82	106	108	100	198	207	263
Kitikmeot	292	238	238	202	273	343	179
Inuvik	1,873	1,912	1,913	894	1,079	1,121	966
Ft Smith	3,666	3,290	3,289	1,954	1,589	854	1,103
NWT	6,136	5,652	5,644	3,267	3,295	2,666	2,794

Source: Department of Renewable Resources

Value of Fur Caught

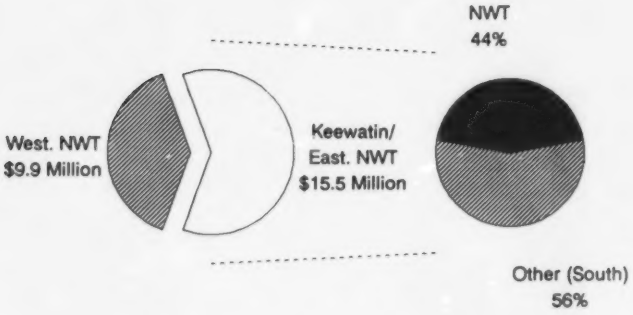


Current Mining Exploration

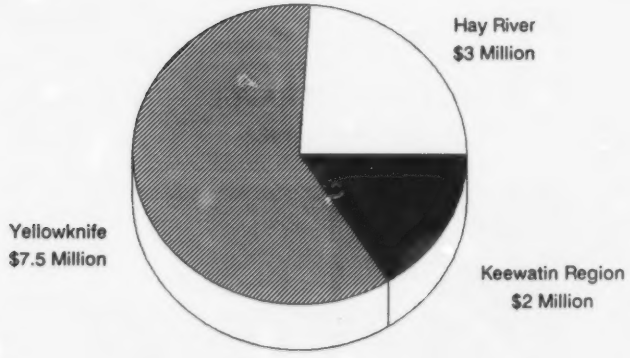
	Exploration Area	1987 Total Projected Exploration Costs ($ 000's)	Spent in the N.W.T. ($ 000's)
Noranda Exploration Company Ltd.	Southern Slave Province-Tundra	6,000	4,971
PNC Exploration (Canada) Ltd.	Keewatin Region	325	160
Abermin Corporation	Bathurst Inlet & Keewatin Region	181	126
Bow Valley Industries Ltd.	Slave Province	791	742
Borealis Exploration Limited	Keewatin Region	8,000	3,200
Comaplex Resources International Ltd.	Keewatin Region	1,500	500
Echo Bay Mines Ltd.	Slave Province	1,404	1,284
Freeport McMoRan Gold Company	Slave Province	500	500
Trigg, Woollett, Olson Consulting Ltd.	Bear/Slave Province	1,200	947
Urangesellschaft Canada Limited	Keewatin Region	2,000	200
Homestake Mineral Development Co.	Keewatin Region	671	337
Noble Peak Resources Ltd.	Keewatin Region	2,832	2,292
TOTALS		25,404	15,259

Source: Stevenson Kellogg Ernst & Whinney, Management Consultants.

Participating Exploration Companies' Purchasing Profile



Sales Potential

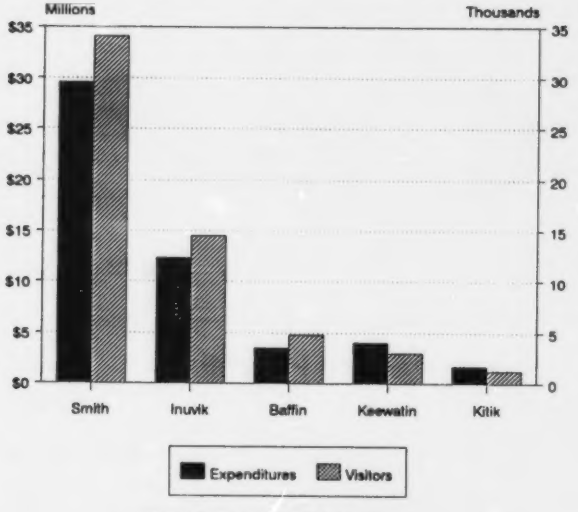


* A SALES POTENTIAL FOR UP TO $12.5 MILLION/YEAR EXISTS OVER EXISTING NWT EXPENDITURES WITH THE OPERATING MINES AND EXPLORATION COMPANIES (BASED ON 1987 LEVELS).

Source: Stevenson Kelogg Ernst & Whinney, Management Consultants.

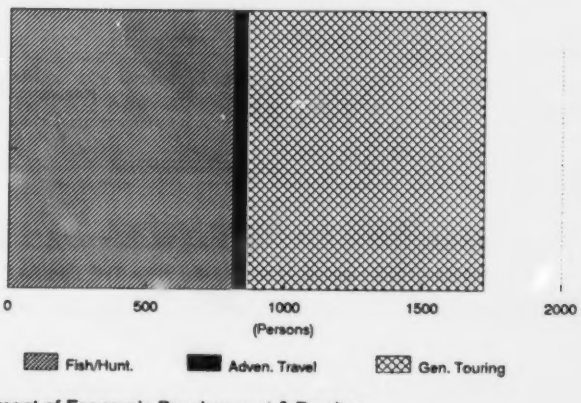
VISITORS AND EXPENDITURES

1987 Estimate



PLEASURE TRAVEL

KEEWATIN - 1988



Source: Department of Economic Development & Tourism